

Message Text

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ACTION IO-13

INFO OCT-01 EUR-12 ISO-00 AF-08 ARA-06 EA-07 NEA-10 TRSE-00

AID-05 OMB-01 L-03 FRB-03 ITC-01 SP-02 CIAE-00

COME-00 EB-07 INR-07 LAB-04 NSAE-00 OIC-02 SIL-01

STR-04 CIEP-01 CEA-01 INRE-00 USIE-00 NSC-05 SS-15

NSCE-00 SSO-00 AGR-05 /124 W
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O R 022239Z DEC 76

FM USMISSION USUN NY

TO SECSTATE WASHDC IMMEDIATE 1361

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

C O N F I D E N T I A L USUN 5851

E.O. 11652:GDS

TAGS: EGEN, ECOSOC, UNGA, IBRD, IDA

SUBJ: 31ST UNGA: AGENDA ITEM 12 - DRAFT RESOLUTION ON IBRD
AND IDA

REF: (A) USUN 5632; (B) STATE 293478

1. SUMMARY: TRANSMITTED BELOW ARE REVISIONS IN SUBJECT
TEXT MADE IN THE COURSE OF INFORMAL NEGOTIATIONS ON DECEM-
BER 2. IN SECTION DEALING WITH IBRD, WORDING REPRESENTS
DELIBERATELY OBSCURE BALANCING OF G-77 AND WEO INTERESTS.
MISSION RECOMMENDS WE BE AUTHORIZED TO JOIN IN APPROVAL
WITHOUT A VOTE WITH APPROPRIATE EXPLANATION OF VOTE. END
SUMMARY.

2. IN THE COURSE OF INFORMAL NEGOTIATIONS ON SUBJECT RESO-
LUTION ON DECEMBER 2, THE FOLLOWING CHANGES WERE MADE:

A. PREAMBULAR PARAGRAPH 3 - REPLACE "APPEAL" BY
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"STATEMENT" AND ADD AFTER "OCTOBER 1976" THE PHRASE "IN

WHICH HE REFERRED TO THE NEED";

B. PREAMBULAR PARAGRAPH 4 - REVISED TO READ
"EMPHASIZED THE URGENT NEED THAT THE FIFTH
IDA REPLENISHMENT SHOULD PROMOTE A SUBSTAN-
TIAL INCREASE IN REAL TERMS";

C. OPERATIVE PARAGRAPH 1 - REPLACE "DELAY" WITH
"SLOW PROGRESS";

D. OPERATIVE PARAGRAPH 2 - REPLACE "DEVELOPED
COUNTRIES" WITH "TRADITIONAL DONORS AND OTHERS
IN A POSITION TO DO SO";

E. OPERATIVE PARAGRAPH 4 - REPLACE "AT THE 10 BIL-
LION DOLLAR LEVEL" WITH "AT A SUBSTANTIALLY
HIGHER LEVEL THAN THAT OF IDA IV";

F. OPERATIVE PARAGRAPH 5 - INSERT THE PHRASE "SHOULD
THE NEED ARISE" AFTER "BRIDGING ARRANGEMENTS";

G. OPERATIVE PARAGRAPH 6 - DELETE;

H. OPERATIVE PARAGRAPH 7 - TO READ "CALLS UPON ALL
MEMBERS OF THE IBRD TO SUPPORT URGENTLY A SUB-
STANTIAL INCREASE IN ITS CAPITAL IN ORDER TO
ENABLE IT TO EXPAND ITS LENDING TO DEVELOPING
COUNTRIES, THEREBY ENABLING IT TO MAINTAIN AND
ENHANCE ITS ROLE AS AN EFFECTIVE DEVELOPMENT
FINANCE INSTITUTION";

E. IN REVISIONS IN THE PREAMBULAR PARAGRAPHS AND SECTION
I (IDA) WENT RELATIVELY SMOOTHLY. THE G-77 BALKED AT NOT
MENTIONING A SPECIFIC FIGURE IN OPERATIVE PARAGRAPH 4,
FELL BACK TO PROPOSING "AROUND 9 BILLION DOLLARS," AND
FINALLY ACCEPTED THE WORDING IN PARAGRAPH 2 ABOVE. INTER-
ESTINGLY, THE POINT THEY KEPT MAKING WAS THAT THEY WERE
WELL AWARE OF THE OECD LEVEL OF CONTRIBUTIONS, AND, THUS,
THIS PARAGRAPH WAS POINTED AT OPEC CONTRIBUTIONS.

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4. SECTION II (IBRD) REPRESENTED THE GRAATEST DIVERGENCE
OF VIEWS. THE G-77 CLEARLY WANTED A SPECIFIC APPEAL FOR A
GENERAL INCREASE IN THE IBRD CAPITAL. THEY WERE UNWILLING
TO SPECIFICALLY LIMIT THIS RESOLUTION TO THE SELECTIVE CAPI-
TAL INCREASE (I.E. US PROPOSALS PER PARAGRAPH 6 REFTTEL B).
IN THIS THEY WERE SUPPORTED BY NORWAY, SWEDEN, THE THE NETH-
ERLANDS. THE FINAL WORDING ABOVE REPRESENTS DELIBERATE
OBFUSCATION OF THIS UNDERLYING DIFFERENCE OF OPINION. US

REPRESENTATIVE MADE IT CLEAR THAT WE DID NOT BELIEVE A GENERAL ASSEMBLY RESOLUTION WAS THE APPROPRIATE MECHANISM FOR ADDRESSING THE QUESTION OF A GENERAL CAPITAL INCREASE FOR THE BANK AND COULD ONLY INTERPRET THIS PARAGRAPH WITH REFERENCE TO THE SELECTIVE INCREASE. THE G-77 ARGUED IN TURN THAT THEIR OPERATIVE PARAGRAPH 8 WAS EQUALLY OBSCURE, THAT IT SHOULD BE READ AS INDICATING A CONCERN ABOUT THE IMPACT OF HARDENING LENDING TERMS ON DEVELOPING COUNTRIES AND THAT IT SHOULD BE ASSUMED THAT THE BANK WOULD FOLLOW SOUND FINANCIAL PRACTICES IN SETTING ITS TERMS. SOME G-77, SUPPORTED BY NORWAY AND SWEDEN, URGED, IN FACT, THAT THE RESOLUTION CALL FOR A REVISION IN THE BANK'S PROCEDURES FOR SETTING TERMS SO AS TO PERMIT THE TERMS TO BE SOFTER. INTERESTINGLY, THE CHIEF G-77 SPOKESMAN (INDIA) REJECTED THIS LATTER PROPOSAL (AND A JAPANESE PROPOSAL CALLING ON THE BANK TO CONTINUE TO PURSUE SOUND FINANCIAL PRACTICES) ON THE GROUNDS THAT THE GENERAL ASSEMBLY SHOULD NOT INVOLVE ITSELF IN THE DETAILS OF THE BANK'S OPERATIONS.

5. AT THE CONCLUSION OF THE SESSION THE US DELEGATION (AND OTHERS) MADE IT CLEAR THAT THE ABOVE TEXT WAS AD REFERENDUM, THAT ALL CHANGES HAD TO BE REFERRED TO HOME GOVERNMENTS FOR APPROVAL, AND THAT THE RESOLUTION SHOULD NEITHER BE FORMALLY REVISED NOR BE VOTED UPON UNTIL WE HAD SO AUTHORIZED THE CHAIRMAN OF THE NEGOTIATING GROUP.

6. COMMENT: MISSION STRONGLY RECOMMENDS THAT WE BE AUTHORIZED TO GO ALONG WITH THE APPROVAL OF THE ABOVE REVISED TEXT WITHOUT A VOTE. WHILE MINOR WORDING CHANGES MAY BE POSSIBLE, THE TEXT AS IT NOW STANDS SEEMS TO US TO BE A DELICATE AND INNOCUOUS BALANCING OF THE VARIOUS INTERESTS IN THE GENERAL ASSEMBLY. OBVIOUSLY, THE TWO PARAGRAPHS DEALING WITH THE IBRD ARE THE MOST DIFFICULT AND THE MOST SUSPECT. IN AC-

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CORDANCE WITH OUR STATEMENT DURING THE NEGOTIATIONS, WE COULD INTERPRET THE REVISED OPERATIVE PARAGRAPH 7 AS MERELY SUPPORTING THE AGREED-TO SELECTIVE INCREASE OR, MORE GENERALLY, THE PROPOSITION THAT THE CAPITAL OF THE BANK SHOULD BE INCREASED. WE ASSUME THAT NEITHER OF THOSE PROPOSITIONS RAISES SERIOUS PROBLEMS IN WASHINGTON. SIMILARLY, WE ASSUME THAT THE USG IS CONCERNED ABOUT THE IMPACT OF THE HARDENING OF THE BANK'S LENDING TERMS AND WOULD, IN FACT, LIKE TO SEE THESE TERMS SOFTENED. WE WOULD HAVE MUCH PREFERRED TO SPEEL OUT THE NECESSITY THAT THE BANK MAINTAIN A SOUND FINANCIAL STRUCTURE; HOWEVER, WE BELIEVE THAT THE PHRASE "AS SOON AS POSSIBLE" CAN BE INTERPRETED TO MEET THIS POINT. IF THIS WERE THE ONLY QUESTION IN OUR GOING ALONG WITH THE RESOLUTION, WE STILL MIGHT BE ABLE TO GET MORE ACCEPTABLE WORDING ON THIS PARAGRAPH. WE ASSUME THAT SHOULD THE DEPARTMENT GO

ALONG WITH OUR RECOMMENDATION, WE WOULD MAKE A STRONG EXPLANATION OF VOTE CLARIFYING THE USG POSITION ON THE MAJOR SUBSTANTIVE POINTS. OUR INFORMAL READING IS THAT MOST WEO CANDIDATES WILL GO ALONG WITH THIS REVISED TEXT. DURING THE NEGOTIATIONS, ONLY JAPAN, THE UK, AND TO SOME EXTENT FRANCE SUPPORTED OUR EFFORTS ON THE IBRD PARAGRAPHS, WHILE SWEDEN, DENMARK, AND THE NETHERLANDS CLEARLY SIDED WITH THE G-77.
END COMMENT.
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